

# IRS News Release

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## **IRS Further Extends Deadline for Settlement Offered To Certain Foreign Embassy Staff**

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WASHINGTON — The Internal Revenue Service is providing a further extension, until June 30, 2007, of the deadline for current and former U.S.-based employees of foreign embassies, consular offices and missions and international organizations to participate in a one-time settlement initiative to resolve outstanding tax matters related to their employment.

Following requests from several embassies, the date is again being extended to make certain those wishing to participate in the initiative have the opportunity to do so.

The offer is open to employees of those organizations who are U.S. citizens, green-card holders and foreign employees who have U.S. tax obligations. Accredited diplomatic personnel are generally exempt from income taxes on their wages under the Internal Revenue Code and international treaties or agreements.

The IRS estimates that as many as half of these employees subject to U.S. tax fail to report their wages, claim deductions they are not entitled to, incorrectly establish SEP/IRA retirement plans, fail to pay self-employment tax or fail to file tax returns.

To participate, employees must submit amended or original tax returns for tax years 2004 and 2005 that properly reflect their income and expenses. Participants in the settlement will not be required to provide tax year 2003 returns, which was previously part of the settlement eligibility requirement. In addition, participants with erroneously established SEP/IRA plans will not be required to distribute amounts contributed to these SEP/IRAs for tax years prior to the 2004 tax year. This change follows discussions with embassies and provides consistency with the income tax portion of the settlement initiative.

IRS will remove the 2003 tax year issues from the settlement elections previously received from taxpayers.

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IRS encourages those affected taxpayers to act quickly so to avoid a future audit process that could prove costly. Foreign embassy, consular office or international organization employees who fail to come forward may be subject to IRS audits and penalties which could cover more than just three years.

Additional guidance on the extension will be announced soon and will be posted on the IRS website at [IRS.gov](https://www.irs.gov).